



PROFESSIONAL 1 – MANAGERIAL FINANCE

EDUCATORS' BRIEFING 2019/20

Comment on Performance in 2019 Examinations

For this year, the results indicated an uneven level of performance but overall they are satisfactory and are in line with those of previous years. It is based on a small sample size spanning both the April and August examinations.

Questions posed ranged across a number of syllabus areas – investment appraisal and capital budgeting ; selection of portfolios counterbalancing risk and return; portfolio theory and the capital asset pricing model, company valuation, flexible budgeting and variance analysis to name but a few. Questions asked require both theoretical knowledge and practical applied perspectives. Candidates displayed varying levels of familiarity with the topics asked in a range of questions. Students are advised not to 'cherry pick' as examinations at professional level require the ability to apply financial techniques in various scenarios e.g. calculation of risk and return in share selection (applied perspective) while also evaluating the usefulness of these techniques in the context of Portfolio Theory (theoretical/analytical perspective). Moreover, the multiple-choice questions have the potential to be taken from a wide variety of syllabus areas. Candidates are reminded that they should cover the entire syllabus so that they can deal adequately with specific questions about a wide range of managerial finance issues. It was noticeable that in the Company Valuation question in the August Paper that some candidates that answered the question were not familiar with the range of methods that are used as valuation bases and that were requested to be applied. In the question relating to methods for raising equity capital four methods were requested from specific perspectives including cost, risk, and other relevant factors. It was disheartening to see that some candidates only provided one or two methods in their answers. It was however heartening to see in the Investment Appraisal question that the qualitative/non-financial factors at both sittings were well treated by most candidates.

Some candidates failed to gain marks by neglecting to follow instructions such as the request to present a summary of their calculations in a table format. Please note that tabular format was requested in a number of questions. In the discussion type questions, some of the answers provided did not deal with the topics posed. Marks can only be awarded for valid points that are stated correctly and address the relevant issue/s. As in previous years, the multiple-choice questions were very poorly answered. Candidates are reminded that they should cover the entire syllabus so that they can deal adequately with specific questions about a wide range of managerial finance issues.

In accordance with good communication practice, candidates should present their answers so that the text and numbers are clearly legible, numbered correctly and each significant part of the solution is started on a separate page. Candidates are reminded that presentation of your answers is very important – first impressions are lasting impressions.

Syllabus Aim

As was the case in previous years, the aim of this subject is to ensure that students develop a critical understanding of the nature and scope of managerial finance. As has been stated earlier students should be able to apply investment appraisal techniques, advise on the optimum financing structure for an organization, calculate the cost of the available sources of finance, and apply the various methods of company valuation.

Students should be able to evaluate the role and application of corporate planning, working capital management and budgetary control theory and techniques. They are also expected to demonstrate excellent written communication skills and the ability to integrate learning of this and other subjects. Detailed learning outcomes can be found at www.cpaireland.ie

Syllabus Changes

There were no changes to the syllabus for this module.

Format of Examination Paper

There are no changes to the examination timing or format. However, it should be noted that there will be continued emphasis on the presentation of financial information to managers in a clear, concise and understandable format.

Education Focus for 2020

All syllabus sections continue to be equally relevant and may be examined across both sittings of the 2020 exam.

Candidates should be aware of business, financial and economic issues that may affect the managerial financial decisions of organisations of different sizes in a range of sectors.

Finally, candidates should avail of the many resources (including webinars, Student bulletins etc.) on the Institute's website that provide salient points on many of the topics relevant to the subject of Managerial Finance.